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THE TORONTO STOCK EXCHANGE

24/10/70

FILING STATEMENT NO. 1758.
FILED, OCTOBER 27th, 1970.

COMTECH GROUP INTERNATIONAL LIMITED

Full corporate name of Company
Incorporated under Part 2 of the Companies Act (Ontario)
by Letters Patent dated June 12, 1946.

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957). Reference is made to previous
Filing Statement No. 1625.

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	Comtech Group International Limited (hereinafter called the "Company") has entered into an agreement dated May 29th, 1970 subject to certain conditions and approvals to acquire a Honeywell computer and peripheral data processing equipment, all the outstanding shares of Namac, Inc. and the franchise rights to computer package systems for the State of Massachusetts for a consideration of \$349,852.00 to be satisfied by the forgiveness of \$289,852.00 of indebtedness and the balance by the allotment and issuance of 50,000 common shares of the Company. It is the intention of the Company to obtain approval, confirmation and ratification from the shareholders at its next annual meeting of the actions of the directors of the Company in entering into the agreement concerning this acquisition and of the allotment of the aforementioned 50,000 common shares.								
2. Head office address and any other office address.	27 Catherine Avenue, Brantford, Ontario.								
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	See Schedule "A" on pages 3 and 4.								
4. Share capitalization showing authorized and issued and outstanding capital.	<table><thead><tr><th>AUTHORIZED</th><th>ISSUED</th></tr></thead><tbody><tr><td>14,490 5% First Preference PV\$10.</td><td>4,490 5% First Preference</td></tr><tr><td>157,482 3% Second Pref.P.V.\$1.00</td><td>55,482 3% Second Preference</td></tr><tr><td>2,000,000 Common PV \$1.00</td><td>694,263 Common</td></tr></tbody></table>	AUTHORIZED	ISSUED	14,490 5% First Preference PV\$10.	4,490 5% First Preference	157,482 3% Second Pref.P.V.\$1.00	55,482 3% Second Preference	2,000,000 Common PV \$1.00	694,263 Common
AUTHORIZED	ISSUED								
14,490 5% First Preference PV\$10.	4,490 5% First Preference								
157,482 3% Second Pref.P.V.\$1.00	55,482 3% Second Preference								
2,000,000 Common PV \$1.00	694,263 Common								
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	\$160,000.00 Secured Debenture 7½% on \$14,000, 6% on remainder payable \$2,000.00 principal and interest monthly due 1977.								
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	Employees options for 35,000 common shares pursuant to Company's filing statement approved by T.S.E. May 19, 1970. Options are non-assignable to full-time key employees at \$1.00 per share exercisable on a cumulative basis to the extent of 20% of the shares granted in each year for 5 years. At the date hereof none of the options have been exercised.								

7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	See Schedule "B" on page 5.
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	NONE
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	Over the past two years the Company has successfully through its subsidiaries entered into the payroll service field and in this time has increased its number of accounts to nearly four hundred. The Company's plans in Canada are to extend its services in its current field of endeavour through its own sales efforts, the sales of its charterees and by working more closely with Canadian chartered banks. With the acquisition of Namac, Inc., the Company plans to re-orient Namac, Inc. along the lines of its Canadian operations and by working in close association with American banks to extend its payroll services throughout the State of Massachusetts.
10. Brief statement of company's chief development work during past year.	Over the past year the Company has broadened and sophisticated its payroll services in Canada to the point where it now has the best product and the second largest client base in the country. In conjunction with these developments of our Canadian systems, we have made modifications to the systems to adapt them to the American market and have successfully market tested our systems with approximately twenty American corporations.
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	Comtech, Inc., 6 West Druid Hills Drive N.E. Atlanta, Georgia. The consideration to be paid is \$349,852.00 to be satisfied by the forgiveness of \$289,852.00 of indebtedness and the balance by the issuance of 50,000 common shares of the Company.
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	Comtech Inc. is the sole vendor. Comtech Inc. shareholders having a greater than 5% interest are listed on attached Schedule "C". on page 6.
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	NONE
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	NONE

SCHEDULE "A"

NAME AND ADDRESS

CHIEF OCCUPATION FOR PAST FIVE YEARS

Donald Murdo McPhail, President
4 Kilchurn Castle Drive, Director
Agincourt, Ontario.

President of the Company since April 2, 1970 and of Comtech Group Limited since March 30, 1968 and a director and Vice-President of Commercial & Technical Computer Services (Ontario) Limited since 1965.

Gerald M. Banks, Director
3 Rosemary Lane,
Toronto, Ontario

Director - Officer in charge of Fibre Division of the Company since April 2, 1970, prior to which President and a director of the Company since 1967; prior to April, 1967, Secretary-Treasurer and General Manager of Union Felt Products (Ontario) Limited and General Manager of Pre-Fab Cushioning Limited.

James Edward Houston, Director
68 Douglas Drive,
Toronto, Ontario.

Investment Dealer, A.E. Osler Company Limited since September, 1967, prior to which an Investment Dealer with Houston & Company Limited and its predecessor firm Houston & Co.

Hugh Leys Coulson, Director
Mount Victoria,
Hudson Heights, Quebec.

Investment Dealer, Kippen & Company, Quebec, since July 18, 1968, prior to which Investment Dealer, Eastern Securities Ltd. (merged Richardson Securities of Canada) since September 16, 1967, prior to which Investment Dealer, Dominion Securities Corporation Limited.

Sinclair McKnight Stevens,
R. R. # 3, Chairman
King City, Ontario Director

Chairman of the Company since April 22, 1970; partner of the law firm of Stevens Charlebois & Stevens since March, 1968; President and director of Stevens Securities Limited since 1958, of Canadian Finance & Investments Limited since 1964 and of British International Finance (Canada) Limited since June 1, 1970; a director of British Northwestern Insurance Company and Security National Insurance Company since 1964; Chairman of Comtech Group Limited between March, 1968 and June, 1969; prior to March, 1968 a partner of the law firm of Stevens Hassard & Elliott; prior to May, 1967, President of British International Finance (Canada) Limited, The Presidents' Fund Limited, York Lambton Corporation

(continued)

Limited, York Trust and Savings Corporation, Fort Garry Trust Company and Wellington Bank International Limited, Vice-President of Canadian First Mortgage Corporation and Director of The Lambton Loan and Investment Company; from October, 1966 to May, 1967, Chairman of the Bank of Western Canada.

Robert Bellamy,
403 Glencairn Avenue,
Toronto 305, Ontario.

Director

Investment Dealer, A.E. Ames & Co. Limited since 1968; General Manager, J.M.P.M. Enterprises Limited between 1967 and 1968 and prior to 1967 Secretary-Treasurer of Charterhouse Canada Limited.

Noreen Mary Stevens,
R. R. # 3,
King City, Ontario.

Secretary

Lawyer; Partner, Stevens Charlebois & Stevens since March 31, 1968, prior to which partner with predecessor firm Stevens Hassard & Elliott.

Lionel T. Colman,
21 Heathcote Avenue,
Toronto, Ontario.

Treasurer

Treasurer of Comtech since June 15, 1969, prior to which Chartered Accountant, Audit Manager with Riddell, Stead & Co.

Michel Bourbonnais,
Apartment 3,
705 Querbes,
Outremont,
Montreal, Quebec.

Director

Economist with The Royal Trust Company, Montreal since June, 1968; Professor Economics at College St. Marie, Shawinigan, from June, 1967 to June, 1968, prior to which a student of Science and Economics at Sherbrooke University.

SCHEDULE "B"

The names and addresses of the full-time employees of the Company who have been granted in aggregate options to purchase the 35,000 common shares of the Company referred to in paragraph 6 hereof are as follows:

TORONTO

Donald M. McPhail,
4 Kilchurn Castle Drive,
Agincourt, Ontario.

Gerald Sheridan,
Apartment 805,
25 Leith Hill Road,
Willowdale, Ontario.

Frank H. Sword,
7 Boxwood Road,
Etobicoke, Ontario.

Mrs. Lynn Kampf,
Apartment 302,
12 Craigton Drive,
Scarborough, Ontario.

Lionel T. Colman,
21 Heathcote Avenue,
Willowdale, Ontario.

Mrs. Rosemary Hendry,
Apartment 1211,
201 Van Horne,
Willowdale, Ontario.

Frederick T. McMahon,
Suite 1612,
20 Forest Manor Road,
Willowdale, Ontario.

William K. McCrea,
Apartment 201,
45 Trudelle Avenue,
Scarborough, Ontario.

Dewey E. Walsh,
103 Bamford Crescent,
Downsview, Ontario.

Harish Chandra,
693 Balaton Drive,
Bay Ridges, Ontario.

Heath Halliday,
1182 Huntingwood Drive,
Agincourt, Ontario.

Martin Bubenko,
Apartment 3,
74 Overton Crescent,
Don Mills, Ontario.

John D. Morand,
255 Keewatin Avenue,
Toronto, Ontario.

MONTREAL

Mrs. Geraldine Wilson,
Apartment 204,
6021 Emile Medigan,
Montreal 389, Quebec.

Eugene Kolaczynski,
7935 Bouydygner,
Ville Banjou, Quebec.

Andre Lavoie,
430 Bruneau,
Montreal 427, Quebec.

Norman Dixon,
1625 De Lucom,
Duvernay, Quebec.

Jeanine St. Louis,
6537 Jalobert,
Montreal, Quebec.

George T. St. Louis,
6537 Jalobert,
Montreal, Quebec.

Clement LeBire,
Apartment 2,
8950 St. Laurent Boulevard,
Montreal, Quebec.

Jean Yves Thibeault,
Apartment 2,
1682 St. Denis,
Montreal, Quebec.

SCHEDULE "C"

The names and addresses of persons having a greater than 5% interest in Comtech Inc. are as follows:

Name and Address

Andrew M. Wofford, 157 Grandview Avenue, Willowdale, Ontario.

DDMN Investments Ltd., c/o Touche, Ross, Box 1612, Nassau, Bahamas.

Computer Age Security Holdings, 2236 Albert Street, Regina, Saskatchewan.

John C. R. Bailey, 40 Godstone Road, Willowdale, Ontario.

Wolfe Research & Development Corporation, P. O. Box 243, Crosly Drive,
Beldford, Massachusetts.

John J. Dunn, c/o Namac, Inc., 534 Boston Post Road,
Wayland 01778, Massachusetts.

Sinclair M. Stevens, R. R. # 3, King City, Ontario.

Gill Construction Limited, Suite 300, 48 Yonge Street, Toronto, Ontario.

The directors, officers and major shareholders of the Company have the following direct or indirect interest in Comtech, Inc., the vendor company:

<u>Name</u>		<u>Number of Shares Owned</u>
Sinclair M. Stevens	Chairman and director	Direct 25,000 shares
Gill Construction Limited		Direct 75,372 shares
Noreen M. Stevens	Secretary	Direct 1,600 shares
Lionel T. Colman	Treasurer	Indirect 2,000 shares

Of the 486,774 common shares outstanding of Comtech, Inc., the above officers and directors of the Company own directly and indirectly 103,972 or approximately 21% thereof.

SCHEDULE "D"

The dates of and parties to and the general nature of every material contract entered into by the Company which is still in effect are as follows:

1. The Company is indebted to the Industrial Development Bank as of July, 1970 in the amount of \$160,000.00 secured by a Debenture dated November 1, 1967; the said Debenture is repayable \$2,000.00 monthly on account of principal plus interest; interest is payable at the rate of 7½% per annum on \$14,000.00 and at the rate of 6% per annum on the remainder.
2. Brantford Iron & Metal Co. Limited is indebted to the Company as of July, 1970 in the amount of \$160,000.00 secured by a mortgage on 27 Catherine Avenue, Brantford, Ontario; said mortgage is repayable \$2,000.00 monthly on account of principal plus interest; interest is payable thereon at the rate of 7½% per annum on \$14,000.00 and at the rate of 6% per annum on the remainder.
3. The Company has leased premises 27 Catherine Avenue, Brantford, Ontario from Brantford Iron & Metal Co. Limited pursuant to lease dated June 30, 1970 for a term of two (2) years with rights to renew for three consecutive one-year terms at a monthly rental of \$5,112.00.
4. The Company has entered into an agreement with Comtech Inc. dated May 29, 1970 subject to certain conditions and approvals to acquire a Honeywell Computer and peripheral data processing equipment, all the outstanding shares of Namac, Inc. and the franchise rights to computer package systems for the State of Massachusetts for a consideration of \$349,852.00 to be satisfied by the forgiveness of \$289,852.00 of indebtedness and the balance by the issuance of 50,000 common shares of the Company.
The indebtedness of \$289,852 (Can.) referred to herein arose through agreements entered into whereby the Vendor and its subsidiary acquired charter rights to the Northeastern and Southeastern Regions of the United States of America to market our Comtech Computer Payroll and other package systems. The sale of these rights involved an aggregate consideration of \$1,060,000 (U.S.) of which down payments and interim payments aggregating \$134,000 (U.S.) was paid in cash to us leaving a total unpaid under the agreements of \$926,000 (U.S.). These charter agreements have been renegotiated due to certain inherent geographical difficulties encountered by us in servicing and assisting in the provision of personnel required to effectively and economically franchise our computer systems throughout these regions, all of which we were required to perform under the original charter agreements. As a result of our renegotiation of these agreements, there is now no obligation on us to provide marketing aids and sales kits, technical support, administration assistance, consultation services and other matters which after our experience with the operations in the United States were too onerous. These items have now become the responsibility of the charteree and we receive a royalty of 2% on gross sales. As a result of the renegotiation of contracts, the sum of \$675,500 (U.S.) of Notes has been cancelled by the amending agreements and the sum of \$250,500 (U.S.) (\$271,000 Can.) has been surrendered by Comtech as part of the transaction whereby Comtech acquired Namac, Inc. and other matters referred to herein. The balance of the outstanding indebtedness of \$18,852 (Can.) is in the form of trade accounts owing by the two American regions to the Toronto Data Centre as a result of data centre processing services, adaptation of programs and other accounts incurred by the two regions in our Toronto and Montreal Data Centres.

FINANCIAL STATEMENTS

COMTECH GROUP INTERNATIONAL LIMITED CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1970 (UNAUDITED)

		March 31, 1970	December 31, 1969
ASSETS			
CURRENT ASSETS			
Cash and Bank deposit receipts	3,941.	33,062	
Accounts receivable - direct trade	289,973	318,846	
Accounts receivable - chartering trade	5,810	1,712	
Inventories	210,445	250,508	
Prepayments and advances	52,330	53,280	
	<u>562,499</u>	<u>657,408</u>	
NOTES AND TRADE ACCOUNTS RECEIVABLE FROM CHARTERED MEMBERS (COMTECH INC. AND AFFILIATES (Note 1)		289,713	243,637
FIXED ASSETS (Note 2)	<u>1,603,878</u>	<u>1,618,038</u>	
INTANGIBLES AND DEFERRED CHARGES			
Premiums incurred on acquisition of subsidiary companies	370,585	373,085	
Deferred charges (Note 3)	275,017	260,926	
Patents	<u>12,326</u>	<u>12,356</u>	
	<u>657,928</u>	<u>646,367</u>	
LIABILITIES			
CURRENT LIABILITIES			
Bank loan (Note 4)	225,000	170,500	
Bank overdrafts and outstanding cheque	90,648	165,887	
Accounts payable and accrued liabilities	343,626	306,455	
Current maturities on long-term debt (Note 5)	<u>166,696</u>	<u>193,432</u>	
	825,970	836,274	
	<u>583,980</u>	<u>626,882</u>	
LONG-TERM DEBT (Note 5)			
	<u>1,409,950</u>	<u>1,463,156</u>	
SHAREHOLDERS' EQUITY			
ISSUED CAPITAL			
4,490 5% preference shares	44,900	44,900	
55,482 3% preference shares	55,482	55,482	
694,263 Common shares	<u>694,263</u>	<u>694,263</u>	
	794,645	794,645	
CONTRIBUTED SURPLUS		672,773	672,773
EXCESS OF APPRAISED VALUE OVER DEPRECIATED COST		173,181	173,181
RETAINED EARNINGS		<u>63,469</u>	<u>61,695</u>
	<u>1,704,068</u>	<u>1,702,294</u>	
	<u>3,114,018</u>	<u>3,165,450</u>	

On Behalf of the Board:

3,114,018

3,165,450

DIRECTOR

COMTECH GROUP INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE NINE MONTH PERIOD TO MARCH 31, 1970

	Six months to December 31, 1969	Three months to March 31, 1970	Nine months to March 31, 1970
APPLICATION OF FUNDS			
Operations			
Net loss (income)	1,039	\$(1,774)	(735)
Credits not providing funds			
Deferred income taxes	4,847	-	4,847
Initial chartering fees	142,826	70,750	213,576
Charges not requiring funds			
Depreciation on fixed assets	(42,082)	(19,554)	(61,636)
Amortization of deferred charges	(30,330)	(27,381)	(57,711)
Severance pay	(5,000)	(2,500)	(7,500)
	<u>71,300</u>	<u>19,541</u>	<u>90,841</u>
Investment in shares of subsidiaries, less working capital at date of acquisition	48,311	-	48,311
Purchase of fixed assets	61,271	5,394	66,665
Deferred charges			
Package programs	43,633	16,398	60,031
Sales development cost	58,119	23,985	82,104
Other	-	1,089	1,089
Reduction in long-term debt	71,031	42,902	113,933
Reclassification of notes and trade accounts receivable from chartered members (Comtech Inc. and affiliates)	-	46,449	46,449
DECREASE IN WORKING CAPITAL	<u>353,665</u>	<u>155,758</u>	<u>509,423</u>
Working capital (deficiency) at start of period	<u>246,619</u>	<u>(107,046)</u>	<u>246,619</u>
WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD	<u>(107,046)</u>	<u>\$(262,804)</u>	<u>(262,804)</u>

On Behalf of the Board:

offices in principal Canadian cities

DIRECTOR

COMTECH GROUP INTERNATIONAL LIMITED
NOTES TO CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 1970

1. NOTES AND TRADE ACCOUNTS RECEIVABLE FROM U.S. CHARTERED MEMBER

The two franchising areas of the United States sold in 1969 for \$1,060,000 U.S. funds are now in the process of renegotiation. The Company's policy of taking these initial charter fees into income over a number of years has resulted in the recording of \$196,500 U.S. of the notes receivable in the nine months to March 31st, 1970.

In April 1970, an agreement in principle was reached for the settlement subject to certain conditions and approvals of Boards of Directors of the notes and trade accounts receivable from the chartered members (Comtech Inc. and affiliates) by transfer to the Company of the chartered members' Boston data centre (Namac Inc.) in lieu of payment of the notes receivable. The agreement provides, among other things, for the payment of a 2% royalty based on Comtech Inc's gross volume of business on the Comtech system.

In view of this agreement, certain notes and accounts receivable (which had previously been reflected as a current asset) have been segregated from working capital.

2. FIXED ASSETS.

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Automotive parts manufacturing			
land	42,840	--	42,840
Buildings	529,377	179,928	349,449
Machinery and equipment	849,255	372,191	477,064
Office furniture and equipment	11,594	7,434	4,160
Vehicles	21,007	15,557	5,450
Computer service			
Computer equipment	711,083	64,480	646,603
Magnetic tapes	27,661	8,342	19,319
Office furniture and equipment	66,858	25,435	41,423
Leashold improvements	31,225	13,655	17,570
	<u>2,290,900</u>	<u>687,022</u>	<u>1,603,878</u>

3. DEFERRED CHARGES.

	<u>Period of Amortization</u>	<u>Amortized during 9 mths</u>	<u>March 31, 1970</u>
Organization expenses	5 years	13,815	80,840
Package programs	5 years	11,809	115,026
Sales development	2 years	20,123	75,734
Other		--	3,417
		<u>\$45,747</u>	<u>275,017</u>

4. BANK INDEBTEDNESS.

Inventories and accounts receivable of the automotive parts manufacturing division amounting to \$329,000 have been pledged for bank indebtedness pursuant to Section 88 of the Bank Act.

5. LONG-TERM DEBT.

7% First mortgage payable \$2,364 monthly including interest to August 1972 \$60,348

Secured debentures payable to Adjustment Assistance Board, \$2,000 principal monthly to March 1977 interest payable at the rate of 7.5% per annum on \$14,000 and 6% per annum on the remainder 168,000

Industrial Development Bank 5,100

Notes payable on computer equipment (at interest approximating prime bank borrowing rates)
Monthly principal instalments of \$3,811 to 1973 149,890
Monthly principal instalments of \$6,122 to 1975 367,338

Current maturities 750,676
166,696

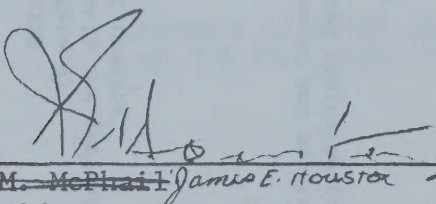
COMTECH GROUP INTERNATIONAL LIMITED

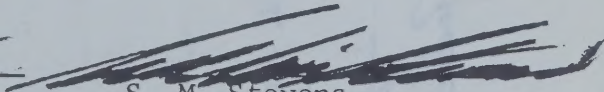
Filing Statement Toronto Stock Exchange
August 20, 1970

Statement of Material Changes since unaudited financial statements of March 31, 1970 filed herewith.

1. On May 19, 1970 the Toronto Stock Exchange duly approved the Company's application for the listing of 35,000 common shares of the par value of \$1.00 each being shares reserved for issuance under Employees Stock Options granted by the Company.
2. On June 30, 1970, the Company sold its premises 27 Catherine Avenue, Brantford, Ontario, for \$365,000.00. The purchaser paid \$148,667.00 cash, and gave back to the Company a second mortgage for \$162,000.00 and assumed the existing first mortgage of \$54,333.00. The Company leased back the premises at a rental of \$5,112.00 per month for a term of two (2) years with rights to reserve on same terms for three (3) additional one-year consecutive terms.
3. On May 29, 1970 the Company entered into an agreement subject to certain conditions and approvals with Comtech Inc. providing for the acquisition by the Company of a Honeywell Computer and peripheral equipment, the acquisition of an operating data centre in Boston by way of the purchase of all the outstanding shares of Namac, Inc. and the renegotiation of Charter agreements and the sale of the Charter rights to the Comtech package systems for the State of Massachusetts, all for a consideration of \$349,852.00 payable \$289,852.00 by way of forgiveness of indebtedness and the balance by way of the issuance of 50,000 common treasury shares of the Company.

Dated
August 20, 1970.


~~D. M. McPhail~~ James E. Houston
~~President~~
Director


S. M. Stevens
Chairman
Director

NAMAC INC.

ized, approved and certified correct on behalf
of the Board:

Andrew M. McDonald Director

John J. McDonald Director

\$138,141

NAMAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1969

1. INVENTORIES

Work in process represents unbilled work (computer processing and related services). It is valued at normal selling price less estimated costs of completion and normal profit margin.

2. FIXED ASSETS AND DEPRECIATION

Fixed assets are depreciated over their estimated useful lives over the following periods:

Computer and peripheral equipment	- 3 to 10 years
Automobile	4 years
Office furniture and equipment	3 to 10 years
Leasehold improvements	5 years

Depreciation on fixed assets during 1969 in the amount of \$8,977 has been charged to operations.

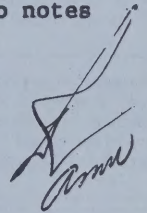
3. DEFERRED EXPENSES

Package program costs of \$2,831 were incurred in 1969 to improve the company's direct mail application into a computerized package information retrieval system. This will be amortized over 5 years commencing in January 1970.

Sales development costs of \$15,386 consist of salaries, travel and promotion expenses incurred in November and December 1969 in connection with the introduction of the Comtech Paymaster system and the establishment of a direct sales force. The company plans to write off these costs against applicable income over a three year period.

4. BANK LOANS

Accounts receivable and automobile are pledged as collateral to notes payable.



STATEMENT OF INCOME AND EARNED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1969

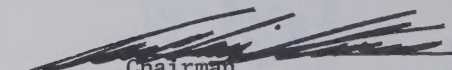
REVENUES		\$285,595
EXPENSES		
Computer room costs	93,070	
Salaries and wages	139,356	
Marketing	23,194	
Administration	<u>25,223</u>	<u>280,843</u>
		4,752
Earned surplus at start of year		<u>9,080</u>
EARNED SURPLUS AT END OF YEAR		<u>\$13,832</u>

15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	<p>(1) A. E. Osler Company Limited, 335 Bay Street, Toronto, 72,023 common shares;</p> <p>(2) Kippen & Co. Inc., 1155 Dorchester Boulevard West, Suite 2900, Montreal, Quebec, 52,065 shares</p> <p>(3) Caisse de Depot et Placement du Quebec, 1200 la Tour de la Bourse, Place Victoria, Montreal, Quebec, 43,000 common shares</p> <p>(4) Gill Construction Limited, Suite 300, 48 Yonge Street, Toronto, Ontario, 34,900 common shares</p> <p>(5) Van Real Limited, 200 Bay Street, Suite 420, Toronto, Ontario, 24,180 common shares</p> <p>The Company understands that Caisse de Depot et Placement du Quebec, Gill Construction Limited and Van Real Limited beneficially own their respective shares but that in the case of A. E. Osler Company Limited, James E. Houston owns 25,000 common shares, but in respect of the balance of the shares of A. E. Osler Company Limited and Kippen & Co. Inc., such shares are not owned beneficially by themselves.</p>
16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	No shareholders beneficially own sufficient common shares to control the company. The company's directors may be in a position to effect control upon receipt of sufficient proxies from shareholders mentioned in Item 15 and other shareholders of the Company.
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	NOT APPLICABLE
18. Brief statement of any lawsuits pending or in process against company or its properties.	NONE
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	See Schedule "D" on page 7.
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	There are no other material facts. None of the Company's shares are in the course of primary distribution.

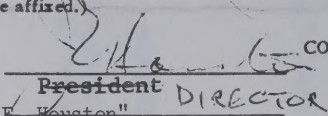
DATED August 20th, 1970.

CERTIFICATE OF THE COMPANY

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)


Chairman

"S.M. Stevens"


President

"J.E. Houston"

CORPORATE
SEAL

DIRECTOR

CERTIFICATE OF UNDERWRITER OR OPTIONEE

~~To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)~~